



TO THE HONORABLE COUNCIL CHAIR AND COUNTY COUNCIL:

This document presents the Fiscal Year 2006-2007 annual budget for the County of Maui for your review and consideration.

EXECUTIVE SUMMARY

The proposed budget reflects the reality of a rapidly growing community and the impact this growth has had on demands for county services, the need to expand our county's physical resources, as well as our ability to pay for the expansion this growth requires. The continued strong state economy and Maui's attraction for outside investments, particularly from California, have fueled much of the growth, keeping the value of Maui County real estate at record levels. As of January 2006, the median value of a single family home sale on Maui had reached \$700,000.

The strength of this real estate expansion caused the total county real property value to increase 32.1 percent to \$37 billion. In addition, the county's population continued to expand and some estimates put the rate of annual resident population growth at about two percent.

This budget benefits from the continuation of an expansive economic trend that began in the late 1990s. Maui County's leading industries - tourism, construction and real estate - all achieved strong performances in 2005. At the end of 2005, an unemployment rate of 2.4 percent indicated that our county's workforce was essentially fully employed.

This strong growth in investment and resident population, coupled with prudent fiscal management, has helped the county continue its positive fiscal trend and has resulted in an \$18 million carryover savings fund.

The premiums being paid by outside investors for Maui County property have exacerbated an already troublesome housing shortage for our local resident population. Part of the answer to this dilemma has come from local developers themselves, using flexible land use approval processes, such as the state's 201-G process, to create the housing inventory our working families require. The County Council is also in the process of upgrading our existing affordable housing mandates. In addition, the State Department of Hawaiian Home Lands is creating an additional inventory of homes for the qualified Native Hawaiian population. It is anticipated that these combined efforts will go a long way toward addressing the housing demands of our working families. A critical role Maui County plays in this process is to assure that the infrastructure these new developments will require - roads, wastewater systems, domestic water supply systems, drainage, etc. - is ready as these projects come on-line.

This budget proposes that Maui County actively meet the need for continual investment in its personnel and infrastructure to keep up with greatly increased demands for service from a rapidly growing community. A strong economy gives us the opportunity to effectively meet these new demands for services, even as we catch up with those that may have fallen behind in leaner years. Because our economy is strong, now is the time to invest in our ability to meet our community's greater needs.

This budget has been built on the principle that programs and services are defined and funded to provide County departments with flexibility in

MAYOR'S BUDGET MESSAGE

the management and use of their funds. Departments must have the ability to respond to contingencies as they may arise during the fiscal year. Flexibility is integral to this budget; without it, this budget will not function.

This budget also continues our efforts toward a performance measurement based technique to determine the department's effective performance in its delivery of programs and services.

A sincere effort was made to seek and incorporate public input into the budgetary process. In September and October 2005, the Mayor's Cabinet traveled throughout the community to provide the broader public ample access to budgetary discussions. Well attended meetings were held in Kihei, Molokai, Kula, Lahaina, Lanai, Haiku, Hana and Wailuku and the information obtained at those events has been reviewed and seriously considered in the formation of this budget.

The proposed budget for Fiscal Year 2007 includes increased revenue totaling \$510,074,644, compared to Fiscal Year 2006 of \$417,775,415. The operating budget, which funds the day-to-day operations and services of the County, will increase from \$360,706,119 to \$408,818,272 or 13.3 percent. The proposed Capital Improvement Projects (CIP) totals \$133,395,000 compared to \$81,472,327 in Fiscal Year 2006.

SIGNIFICANT FEATURES OF THIS BUDGET

- This budget reflects another year of increased real property values, which will increase the county's Real Property Tax revenue, and continue a trend that began in 1998.
- Changes in the tax rates as proposed in this budget include the following real property tax rate decreases: a 38.9 percent decrease in the Homeowner classification; a 11.2 percent decrease in each of the classifications for Improved Residential and Apartment dwellings; and a range of decreases for other property classifications.

- This budget reflects our commitment to meet the community's increased demand for services, maintenance and protection. A total of 87.9 new County positions, primarily for the Departments of Police, Finance, Parks and Recreation, Public Works and Environmental Management, Management, Fire and Public Safety, and Transportation.
- Major Capital Improvement Projects (CIP) proposed in this budget include:

New County Facilities: Kaunakakai Fire Station on Molokai; acquisition of a Central Maui water intake system; a county morgue; acquisition of 27.9 acres in Haiku for a county service complex, including a fire station, police station, and emergency center; tennis courts in Kula; and design of the Kihei Police Station.

Infrastructure Improvements: \$25.9 million in wastewater system improvements; \$11.7 million in water systems improvements; and various road and drainage projects.

THE OPERATING BUDGET

The total appropriation for the proposed County funds operating budget for Fiscal Year 2007 is \$363,726,004, as compared to \$316,865,285 for Fiscal Year 2006, which represents a 14.8 percent increase from the current Fiscal Year 2006.

The proposed operating budget includes increases in payroll and operating costs of 14.9 percent and an 11.6 percent increase for equipment purchases. This increase reflects the need to provide adequate operating funds to meet the increasing cost of fuel and electricity, as well as an investment in personnel and equipment to keep up with the demands for service in a rapidly growing community.

Personnel Expansion

This budget proposes an addition of 87.9 new positions in the County's workforce of approximately 2,252. The new positions proposed in the budget are to meet the increasing demands for service from a rapidly growing community.

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Significant personnel expansions were requested by departments for the following purposes:

- Department of Police requested 10 officers for an additional beat in the growing Wailuku area and other police work, and 14 support staff to free existing police officers from clerical and administrative tasks, allowing them to perform their primary duties as sworn officers.
- Division of Motor Vehicle Licensing requested road testing personnel and staff required to operate new, improved satellite offices and an assistant administrator. 10 total requested.
- The Department of Parks and Recreation requested 6 new employees for parks maintenance and support staff for increased demand for permits.
- Highways Division requested 8 maintenance workers and support clerical staff.
- Department of Management requested 5 personnel to establish a centralized call center to better handle calls from the public for information and the initiation of service.
- Department of Fire and Public Safety requested an addition of three battalion chiefs for a second division.
- Department of Transportation requested two engineers to develop and update transportation models for traffic assessments and studies and two public transit specialists to plan, monitor and administer the county's public transit services.

This personnel expansion is required so that our departments can better handle the increased demand for service. Failing to give the departments the staff they need to address this demand for service would result in a slowdown in response time and would adversely impact the County's overall efficiency. Personnel expansions for these departments are more than justified because of increasing workload demands.

Workforce Development

A central outcome of the Economic Summit that the County Office of Economic Development hosted in 2003 was the need to diversify our economy by attracting high quality investment. The summit concluded that such investors would be more likely to give due consideration to Maui County if we improved the quality of life through educational opportunities for children, high quality medical facilities and services, and strong social services and amenities, both for our existing residents and to attract investment. The assumption is: if the quality of life in our County is considerably higher than other locations, and if we have a plan to produce the type of workforce investors require, then the type of investment we hope for will follow. Our administration has taken pains to promote the quality of life factors mentioned above, and in this budget we are proposing an investment of \$2 million to promote the creation of a strong four-year college program at Maui Community College. This investment would demonstrate Maui County's intent to grow its workforce and could be leveraged by the college to attract matching, private donations. The creation of a four-year program will allow our residents, who have completed two-year degree programs at MCC and want to continue their education, to obtain their baccalaureate degrees at home. This investment means to assure that the workforce we develop will come from our residents who already call Maui home.

THE CAPITAL IMPROVEMENT PROGRAM

This budget proposes to spend \$133,395,000 to improve and expand County infrastructure, facilities and land inventory. The proposed Capital Improvement Program (CIP) includes \$103,795,000 in County funds and \$29,600,000 in grant revenues. County funds include cash, lapsed bond proceeds, State Revolving Fund Loans and a proposed \$29,445,000 bond issue.

Major projects in the Fiscal Year 2007 CIP include:

New County Facilities

- Construction of the Kaunakakai Fire Station on Molokai for \$10.5 million. Replaces an inadequate facility that

MAYOR'S BUDGET MESSAGE

frequently floods with a modern station that will provide the community the protection it needs well into this century.

- County morgue for \$4 million. The existing facility is grossly inadequate for a community of Maui's size.
- Twenty seven acres in Haiku for a county service complex on the Hana Highway. To include fire, police, ambulance stations and other county facilities. Approximately \$3 million.

Infrastructure Improvements

- \$25.9 million in wastewater system improvements, including \$7.4 million for a new Lahaina Pump Station No.1 and \$8 million for pipeline renovation.
- Road and drainage improvements for \$38,075,000 with \$19,600,000 in federal grants.
- Water intake system for \$17 million with \$10 million in an expected state grant. Provides Central Maui with an important new water source. Other Water Supply projects for \$11.7 million.

REVENUES

The proposed budget for Fiscal Year 2007 requires revenues totaling \$510,074,644, as compared to \$417,775,415 required for Fiscal Year 2006, a 22.1 percent increase. The \$92,299,229 revenue increase is mainly the result of increased real property tax income.

Revenue estimates are based on proposed reductions in the real property tax rates, which would reduce the impact of the increased valuations. Net taxable assessed values increased by approximately \$9 billion, or by 32.1 percent to \$37 billion. Real property tax revenues of \$200,030,372 account for 39.2 percent of County revenues for the coming year, compared to 38.7 percent in Fiscal Year 2006.

The estimate for Maui County's share of the Transient Accommodations Taxes (TAT) for

Fiscal Year 2007 is \$20,150,000. This represents a 7.0 percent increase over the Fiscal Year 2006 budget estimate of \$18,840,000, and is based on current trends in tax receipts. The TAT will account for approximately 4.0 percent of our total revenues for the coming year.

While there has been discussion of the need to change the County's real property tax methodology, discussions with such independent outside agencies as the Bank of Hawaii and the Realtors Association of Maui point out that our current tax method is working well and that there is no need for large-scale systemic change.

See Table of Projected Revenues by Source on the next page.

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The following table identifies projected revenue by source:

	FY 2006	FY 2007
Real Property Taxes	161,701,061	200,030,372
Fuel Taxes	13,009,142	12,080,000
Franchise Taxes	6,039,000	7,100,000
Public Service Company Tax	4,600,000	5,200,000
Licenses and Permits	15,439,904	16,144,332
Transient Accommodations Tax (TAT)	18,840,000	20,150,000
Other Intergovernmental	7,160,000	19,140,000
Charges for Current Services	71,680,657	79,053,825
Fines, Forfeits & Penalties	1,040,000	1,100,000
Use of Money and Property	2,047,000	2,850,000
Bond Revenues	26,674,500	29,445,000
Special Assessments	11,291,000	11,925,000
Lapsed Bond Proceeds	3,575,000	110,000
Miscellaneous	510,000	546,010
Carry-over Savings	22,207,317	30,507,837
Grant Revenue	51,960,834	74,692,268
Subtotal	417,775,415	510,074,644
* Charges to Funds	24,403,031	32,138,628
	442,178,446	542,213,272

* Charges to Funds are not considered revenue but are used to compute the total budget amount.

I welcome your review of this budget proposal and the recommendations that will be offered in the public hearings you will conduct. My staff and I look forward to working with you during the coming weeks to create a budget that is flexible, balanced and achieves our mission of building a better community while preserving our heritage and preparing for our future.

Sincerely,



ALAN M. ARAKAWA
Mayor, County of Maui

Building a Better Community

Our county's vision continues to serve as a common source of pride and motivation for the County of Maui employees to do all that they can to make the islands of our county the best islands in the world to live and to visit.

Our mission at the County of Maui is to continue to "Build a Better Community," one proud of its heritage and prepared for its future. We will ensure the preservation of our extraordinary natural heritage by being good stewards of our environment and by finding a balance between environmental protection and economic sustainability.

The following are the goals of County of Maui:

- To protect the health and safety of all people living in and visiting our islands;
- To provide the highest quality of service to our community in the most cost-effective manner;
- To promote sustainable economic development throughout our county, while protecting our precious environment;
- To provide the infrastructure necessary to ensure the most desirable quality of life for our residents and visitors; and
- To promote and encourage maximum public participation in community planning, decision-making, and policy development.

The following are a few examples of how the County of Maui has demonstrated its commitment to our visions and goals by going above and beyond to build a better community.

For the Calendar Year 2005

- For the 12th consecutive year, Maui was voted "Best Island in the World" by *Conde Nast Traveler* magazine. In 2005, Maui was also named overall "Top Travel Destination" in the world by the same publication.
- The Maui Police Department received national re-accreditation from the Commission of Accreditation for Law

Enforcement Agencies. MPD continues to be among the top 3% of the 17,000 police departments in the U.S. which are accredited.

- The County of Maui captured the 2005 Project of the Year award from the Hawaii Society of Professional Engineers for the Wailuku-Kahului Wastewater Reclamation facility.
- Maui County developed a public bus transit system to connect communities in South, West, and Central Maui.
- The County opened several major facilities including: the new Central Maui Landfill, the Central Maui Recycling and Refuse Center, the Lanai Police Station and the Wailea Fire Station.
- The County also initiated and achieved the operation of Maui County's Helicopter Ambulance service, which immediately started saving lives.
- The County of Maui continues to improve services. It created a GIS mapping system for Maui County; completed 109 miles of various roadway improvements; processed more than 8,603 building permits; and, assisted 1,419 families with rental payments under the federally funded Section 8 Housing Choice Voucher Program.
- In 2005, the County issued the second largest bond offering in its history - \$59,300,000 which included \$21 million in new money for projects plus the partial refunding of 1998 and 1999 bonds which produced a net savings of more than \$1.4 million.

For the Future

- Based on an affordable housing needs survey, 2,640 new affordable housing units are currently needed. Maui County's Department of Housing and Human Concerns has partnered with

developers to create housing to meet that need: More than 3,400 affordable units are now expected to be completed by 2008.

- The County's real property tax base continues to strengthen and is showing steady double digit growth. Both the County's executive and legislative branches are making commitments to strengthen reserves and put money aside for emergency (rainy day) funds, land acquisition funds, housing funds, etc. The General Fund balance is planned for growth and stability. The County of Maui's General Plan is moving forward with support from agencies both the community and government toward being a comprehensive and effective planning tool.

FISCAL YEAR 2007 BUDGET POLICIES

This section highlights the guidelines and policies used in forming the Fiscal Year 2007 Budget. Detailed information on the general budget, process and policies are discussed further in the later section.

The development of the Fiscal Year 2007 Budget was guided by the following policies:

- To involve the public in the development of program priorities through countywide public meetings;
- To consider the County's long-range plans to include an analysis of future needs;
- To prioritize programs and operational requirements to assure effective and efficient operations;
- To extend our resources through partnerships with public agencies and private organizations; and
- To support prioritized capital improvement projects that can be completed before the lapsing of appropriated funds.

LONG-RANGE FINANCIAL PLAN

The administration has developed a financial plan for use in the annual budget preparation.

The plan requires a review of economic conditions and forecasts, which will guide the administration in its decision making process.

1. *To optimize cash flow*

A. Short Term

- i. Plan for and obtain funds (revenue includes taxes, fees, grant, etc.) in a fair and timely manner;
- ii. Manage the use of funds (operating expenditures) through internal control policies and procedures.

B. Long Term

- i. Provide policies for managing revenues and maximizing credit;
- ii. Understand and account for the effect of new capital improvements on the operating budget and debt.

C. Minimize general fund subsidies to special revenues and enterprise funds.

D. Maximize funding leverage through grants.

2. *To provide sound general management*

A. Maximize the organization's value;

B. Maintain an optimal organization size;

C. Maintain an optimal growth of the organization;

D. Operate efficiently and effectively;

E. Balance risk and reward.

3. *To assure a sound reporting system*

A. Maintain good internal controls;

B. Provide timely accounting reports including the audited Comprehensive Annual Financial Report;

C. Ensure the financial management personnel are technically trained and qualified.

4. *To manage assets and liabilities*
 - A. Be conservative in all projections of revenues so that slight changes in these estimates will not trigger budget emergencies;
 - B. Present a budget in which recurring operating costs are within recurring revenues;
 - C. Present a budget in which debt service is fully funded;
 - D. Develop and update a six-year capital improvement program on an annual basis;
 - E. Integrate planning of capital improvements and debt structure;
 - F. Coordinate operating costs associated with new capital improvements with the development of the operating budget; and
 - G. Forecast future operating costs associated with new capital improvements to show their impact on future operating budgets.

Directory of County Officials

Mayor

Alan M. Arakawa
Mayor

County Council

G. Riki Hokama
Council Chair, Lana'i

Robert Carroll
Council Vice-Chair,
East Maui

Michelle Anderson
South Maui

Jo Anne Johnson
West Maui

Dain P. Kane
Wailuku-Waihe'e-
Waikapu

Danny A. Mateo
Moloka'i

Michael J. Molina
Makawao-Ha'iku-Pa'ia

Joseph Pontanilla
Kahului

Charmaine Tavares
Upcountry

Office of Council Services

Ken Fukuoka
Director

Office of the County Clerk

Roy T. Hiraga
County Clerk

Jeffrey T. Kuwada
Deputy County Clerk

Mayor's Office

Lloyd Y. Ginoza
Budget Director

Lynn Araki-Regan
Economic
Development
Coordinator

Agnes Hayashi
CDBG Program
Manager

Rob Parsons
Environmental
Coordinator

Ellen Pelissero
Public Information
Officer

Dave DeLeon
Senior Executive
Assistant

Adele Rugg
Special Executive
Assistant

Jan Inouye-Ogata
Executive Assistant to
the Mayor

Don Couch
Executive Assistant to
the Mayor

Zeke Kalua
Executive Assistant to
the Mayor

Mercedes D. Neri
Executive Assistant to
the Mayor

Shelley Pellegrino
Executive Assistant to
the Mayor

Management Staff

Keith A. Regan
Managing Director

David Ching
1st Assistant to the
Managing Director

Jay Buzianis
CIP Coordinator

Kal Kobayashi
Energy Program
Coordinator

Bill Medeiros
GIS Manager

Dennis Schwind
Executive Assistant to
the Managing Director

Jacob Verkerke
MIS Manager

Department Heads

Gen Iinuma
Civil Defense
Administrator

Brian T. Moto
Corporation Counsel

Traci Fujita-Villarosa
1st Deputy Corporation
Counsel

Kalbert Young
Finance Director

Wayne Y. Fujita
Finance Deputy
Director

Carl Kaupalolo
Fire Chief

Neal Bal
Fire Deputy Chief

Alice L. Lee
Housing & Human
Concerns Director

Herman Andaya, Jr.
Housing & Human
Concerns Deputy
Director

Franklyn Silva
Liquor Control Director

Wayne Pagan
Liquor Control Deputy
Director

Glenn Correa
Parks & Recreation
Director

John Buck III
Parks & Recreation
Deputy Director

Lynn Gushiken Krieg
Personnel Services
Director

Lance Hiromoto
Personnel Services
Deputy Director

Michael William Foley
Planning Director

Wayne Boteilho
Planning Deputy
Director

Thomas Phillips
Police Chief

Kekuhaupio R. Akana
Police Deputy Chief

Davelynn M. Tengan
Prosecuting Attorney

Benjamin M. Acob
1st Deputy
Prosecuting Attorney

Milton M. Arakawa
Public Works &
Environmental
Management Director

Michael M. Miyamoto
Public Works &
Environmental
Management Deputy
Director

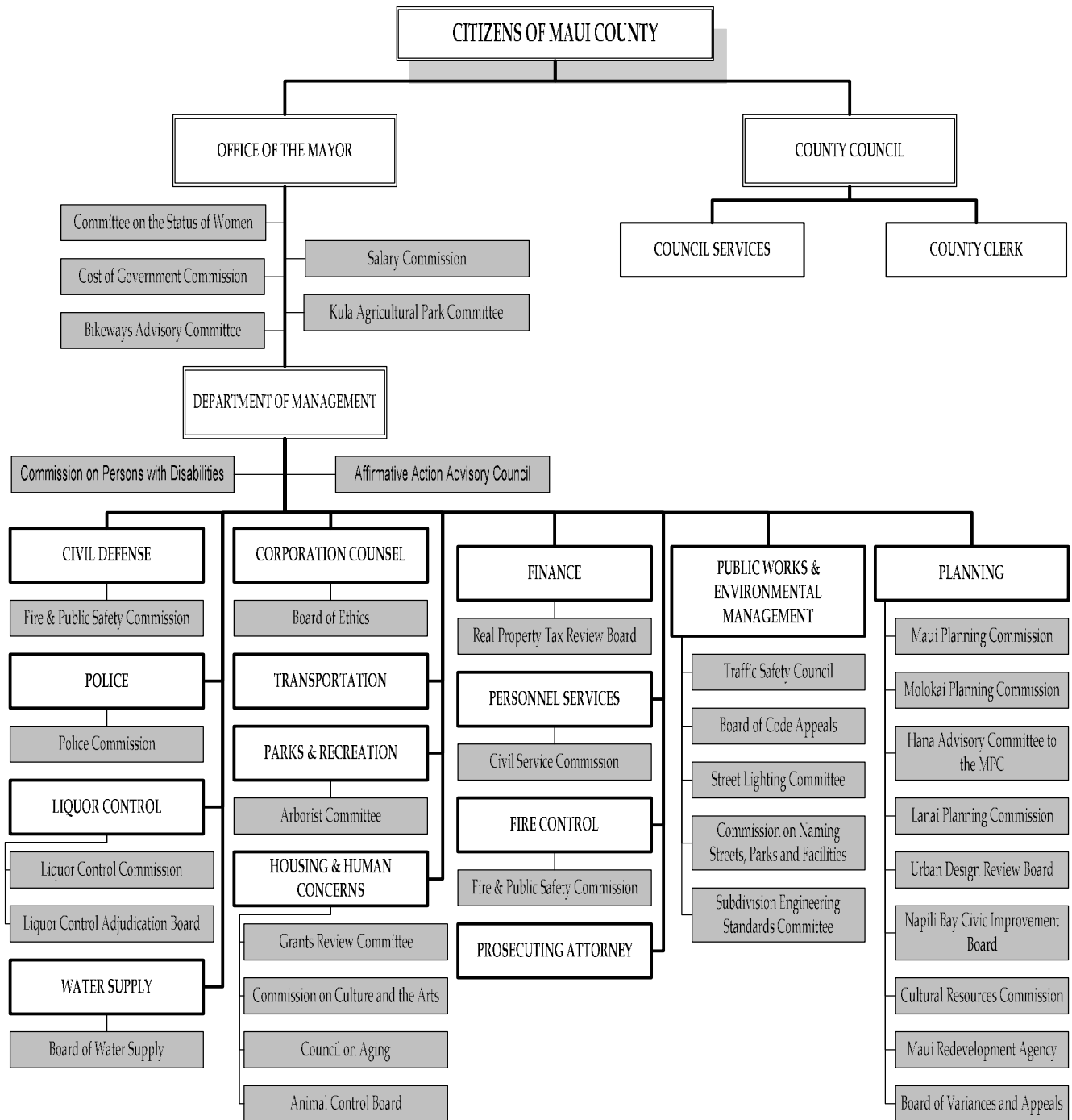
Kyle Ginoza
Transportation
Director

Don Medeiros
Transportation Deputy
Director

George Tengan
Water Supply Director

Eric Yamashige
Water Supply Deputy
Director

Organizational Chart



About This County

The County consists of the inhabited islands of Maui, Moloka'i, and Lana'i and the uninhabited island of Kaho'olawe. The County is the second largest of the four counties in the State of Hawaii, with land area of 1,162 square miles, approximately the size of Rhode Island.

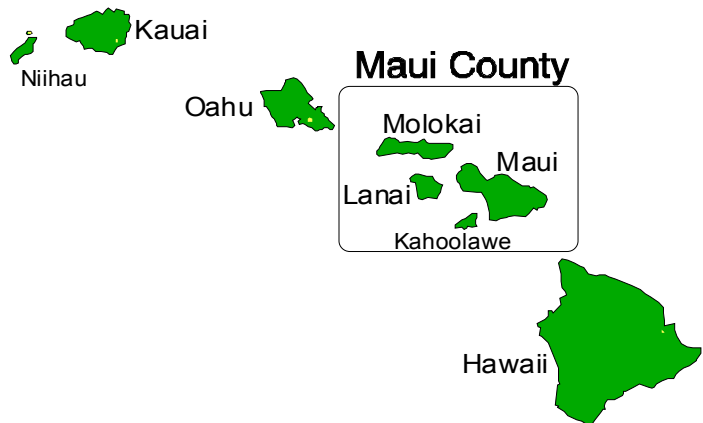
The island of Maui, known as the "Valley Isle", is the second-largest in the Hawaiian archipelago. It has a land area of 735 square miles, 48 miles long and 26 miles wide. The island is the center of trade, commerce, and the county government. It is also the largest island of the four islands making up the County. Historically, pineapple and sugar have been the major industries. Today, however, tourism and construction are the leading components of the Maui County economy, which continues to include agriculture as well as scientific and research facilities.

The 264 square mile island of Moloka'i is the second largest in the County. Moloka'i is known as the "Friendly Isle" and has a reputation of being a reservoir of the aloha of the Old Hawaii. The pace on Moloka'i is indeed slower. The population is largely Hawaiian or part-Hawaiian, and traditional pursuits like fishing and farming are far more common than modern pastimes like golf and sunbathing. This island has truly contributed in preserving its cultural heritage.

The island of Lana'i has been called the "Pineapple Isle" because, historically, most of its 141 square miles were devoted to pineapple production. Dole Food Company, the island's major land owner, has phased out its cultivation of approximately 9,000 acres leaving only 100 acres of growing fields, which are utilized to supply local resorts.

Maui County's population is composed of multiple ethnic heritages including Hawaiian, Japanese, Caucasian, Filipino, Chinese, Korean, Tongan, Samoan, and others.

In Maui County, as well as in the three other counties within the state, there are no subordinate or separate municipal entities. The State government administers the school system, airport, harbors, hospitals, judicial system, and the State highway system.



Most non-federal taxes are administered and collected by the State under Hawaii's highly centralized tax system. The major sources of State revenue are the general excise tax and corporate and personal income taxes. There are no state personal or property taxes, local levies for school districts or special assessments.

The County of Maui provides a broad range of municipal services including public safety, highways and streets, sanitation, human services, public infrastructure improvements, parks and recreation, public transportation, planning, zoning, and general administrative services.

Maui County is governed by provision of a County Charter, originally adopted by the electorate in September, 1967. On January 1, 1983, a new charter became effective and was last amended in 2002.

The executive power of the County is vested in and exercised by the executive branch, which is headed by the mayor. With few exceptions, the mayor directly supervises all departments and administrative activities. The mayor serves a four-year term and is limited to two consecutive full terms.

The present Mayor is Alan M. Arakawa, who was elected on November 5, 2002. Prior to being elected mayor, Arakawa was elected to the Maui County Council in 1994, 1996, and 2000. He served as Chair of the Planning, Parks and Land Use Committees.

COUNTY AT A GLANCE

While on the Council, the mayor worked to create non-partisan County elections and to open up the government process; supported the County Fair Regional Site Selection Committee; advocated for early childhood development programs such as Good Beginnings; concentrated heavily on human service programs; worked to provide funding for increased Akaku public access television coverage of the County Council and Boards and Commissions' sessions; and changed the Community Plan structure.

The County Council is the legislative body of the County. The Council consists of nine members, each of whom is elected at large and serves two

year terms. Council members are not permitted to serve more than five consecutive full terms of office. The current Council term ends January 2, 2007. The nine member council is required to be comprised of one resident from each of nine different regions of the County.

The Council is the policy-making body of the County. Its major functions include approval of the County's annual budget, establishment of all fees, rates, assessments and taxes, appropriation of funds, establishment of development controls including adoption of the general plan, community plans and zoning, and other related functions.

Profile Statistics

	Unit	Period	1999	2000	2001	2002	2003	2004	% Change Annual 03/04	% Change Annual 00/04
Resident Population ¹	Number	July 1	126,160	128,241	131,747 ^r	133,436 ^r	135,926 ^r	138,347	1.8	1.86
Civilian Labor Force	Number	Mo. Avg.	73,050 ^r	71,150 ^r	72,150 ^r	72,300 ^r	72,600 ^r	74,050	2.0	0.28
Employment	Number	Mo. Avg.	69,350 ^r	68,500 ^r	70,000 ^r	69,500 ^r	68,900 ^r	71,800	4.2	0.72
Unemployment	Number	Mo. Avg.	3,700 ^r	2,650 ^r	2,950 ^r	5,850 ^r	2,700 ^r	2,300	-14.8	2.52
Unemployment rate	Percent	Mo. Avg.	5.1 ^r	3.7 ^r	4.1 ^r	3.9 ^r	3.7 ^r	3.1	-16.2	-8.57
Total Job Count ²	Number	Mo. Avg.	58,150	60,500	62,150	61,900	63,400	65,850	3.9	2.53
Gross Business Receipts	Mil. \$	Total	3,429.5	3,821.2	3,941.6	3,785.2	4,107.7	4,561.3	11.0	6.03
State Tax Collections ⁴	Thous. \$	Total	234,878	260,703	259,381	250,170	257,486	308,140	19.7	5.91
County Tax Collections ⁵	Thous. \$	Total	85,723	96,387	100,210	114,087	123,492	140,280	13.6	10.42
Estimated Domestic Visitors	Thous.	Total	1,866.5 ⁶	1,867.0 ⁷	1,727.2	1,770	1,900	1,938	2.0	0.87
Estimated International Visitors	Thous.	Total	480.5 ⁶	470.0	418.5	369	296	270	-8.9	-10.71
Hotel Inventory	Number	Feb.	18,609	18,270	18,234	17,992	18,578	18,485	-0.5	-0.12
Hotel Occupancy	Percent	Mo. Avg.	77.3	81.9	73.0	71	74.2	78.0	5.1	0.39
Private Permits	Thous. \$	Total	229,162	355,361	312,738	273,716	456,085	448,831	-1.6	19.13
Residential Permits	Thous. \$	Total	123,633	196,309	186,548	186,622	276,286	285,212	3.2	21.03
Non-Residential Permits	Thous. \$	Total	60,488	75,157	86,619	38,384	128,440	58,757	-54.3	32.84
Additions and Alterations	Thous. \$	Total	45,042	83,894	39,571	48,710	51,359	61,862	20.5	16.48
Real Estate Resales										
Single Family	Number	Total	965	985	986	978	1,410	1,221	-13.4	6.43
Average Price	Dollars	Avg.	344,848	441,143	402,272	491,248	591,222	730,264	23.5	17.02
Condominium	Number	Total	1,347	1,495	1,309	1,551	1,986	1,993	0.4	9.09
Average Price	Dollars	Avg.	305,672	399,172	391,385	300,985	354,444	438,255	23.6	9.39
Sugar Production, Raw Sugar 96 degrees	Thous. \$	Total	89,800	65,300	67,200	76,500	75,800	NA	NA	NA
Pineapple Sales, Fresh Equivalent	Thous. \$	Total	28,325	29,395	27,115	29,624	29,826	NA	NA	NA
Diversified Crops/Livestock	Thous. \$	Total	43,334 ^r	48,696 ^r	52,249 ^r	55,502 ^r	56,058	NA	NA	NA
Diversified Crops	Thous. \$	Total	36,850 ^r	41,306 ^r	46,247 ^r	49,448 ^r	49,918	NA	NA	NA
Livestock and Aquaculture	Thous. \$	Total	6,484 ^r	7,390 ^r	6,002 ^r	6,054 ^r	6,140	NA	NA	NA

¹ Preliminary estimates by the U.S. Bureau of the Census. ² Refers to numbers of jobs rather than number of persons employed. Persons with more than one job are counted more than once. ³ 1996-1998 figures are not comparable to other years due to low allocation to counties of electronically filed tax data. ⁴ Totals do not include real property taxes. ⁵ Fiscal year ending June 30.

NA: Not available *: Incremental change **: Average of incremental changes p: Preliminary r: Revised

SOURCE: Maui County Databook 2005, compilations from multiple sources.

COUNTY AT A GLANCE

Census Bureau Quick Facts, Maui County & State of Hawaii

Category	Maui County	Hawaii
Population		
Population, 2004 estimate	138,221	1,262,840
Population, percent change, April 1, 2000 to July 1, 2004	7.9%	4.2%
Population, 2000	128,094	1,211,537
Population, percent change, 1990 to 2000	27.6%	9.3%
Persons under 5 years old, percent, 2000	6.7%	6.5%
Persons under 18 years old, percent, 2000	25.5%	24.4%
Persons 65 years old and over, percent, 2000	11.4%	13.3%
Female persons, percent, 2000	49.8%	49.8%
White persons, percent, 2000 (a)	33.9%	24.3%
Black or African American persons, percent, 2000 (a)	0.4%	1.8%
American Indian and Alaska Native persons, percent, 2000 (a)	0.4%	0.3%
Asian persons, percent, 2000 (a)	31.0%	41.6%
Native Hawaiian and Other Pacific Islander, percent, 2000 (a)	10.7%	9.4%
Persons reporting some other race, percent, 2000 (a)	1.4%	1.3%
Persons reporting two or more races, percent, 2000	22.2%	21.4%
White persons, not of Hispanic/Latino origin, percent, 2000	31.9%	22.9%
Persons of Hispanic or Latino origin, percent, 2000 (b)	7.8%	7.2%
General		
Living in same house in 1995 and 2000', pct age 5+, 2000	55.8%	56.8%
Foreign born persons, percent, 2000	16.5%	17.5%
Language other than English spoken at home, pct age 5+, 2000	24.1%	26.6%
High school graduates, percent of persons age 25+, 2000	83.4%	84.6%
Bachelor's degree or higher, pct of persons age 25+, 2000	22.4%	26.2%
Persons with a disability, age 5+, 2000	23,820	199,819
Mean travel time to work (minutes), workers age 16+, 2000	21.7	26.1
Housing		
Housing units, 2002	58,519	470,512
Homeownership rate, 2000	57.6%	56.5%
Housing units in multi-unit structures, percent, 2000	37.5%	39.4%
Median value of owner-occupied housing units, 2000	\$249,900	\$272,700
Households, 2000	43,507	403,240
Persons per household, 2000	2.91	2.92
Median household income, 1999	\$49,489	\$49,820
Per capita money income, 1999	\$22,033	\$21,525
Persons below poverty, percent, 1999	10.5%	10.7%
Business		
Private nonfarm establishments with paid employees, 2001	3,955	30,175
Private nonfarm employment, 2001	54,155	441,856
Private nonfarm employment, percent change 2000-2001	3.6%	2.3%
Nonemployer establishments, 2000	10,960	73,810
Manufacturers shipments, 1997 (\$1000)	259,608	3,192,532
Retail sales, 1997 (\$1000)	1,359,298	11,317,752
Retail sales per capita, 1997	\$11,410	\$9,516
Minority-owned firms, percent of total, 1997	38.4%	57.7%
Women-owned firms, percent of total, 1997	24.1%	27.5%
Housing units authorized by building permits, 2002	1,184	5,902
Federal funds and grants, 2002 (\$1000)	494,645	10,473,997
Geography		
Land area, 2000 (square miles)	1,159	6,423
Persons per square mile, 2000	110.5	188.6
FIPS Code	9	15

Source: US Census Bureau State & County QuickFacts

Economic Conditions and Outlook

First Hawaiian Bank Economic Forecast and reprinted here by permission:

“The economic report card for Maui continues to be an “A” on practically every major front again this year. But Eden does have few thorns, as is always the case when growth heats up in an island environment. The biggest one on Maui is concern over the price of housing.

One wonders about the future of an economy in which those who make it run can't afford to relocate or stay here. The median price of a single family home on Maui averaged \$672,100 over the first six months of 2005, up 25% from the same period in 2004. Such prices are now well beyond the reach of many who live and work on Maui, and the situation is especially painful for new entrants to the market and those considering relocation here. Even more, it extends well beyond working class families into the professional ranks. An economy cannot continue to function without many of these positions.

There are some places on the Mainland where home prices even exceed those in Hawaii, and off-shore demand from these places is much of what feeds the run-up in prices here. Yet eventually affordability will bring the current real estate cycle to an end, hopefully with a soft landing. Hawaii is not the only place in the nation with a rising anxiety about a housing bubble, but it's certainly one of them.

Because Maui's desirable real estate is so inextricably linked to Mainland demand and prices, the run-up here may ease only when other desirable but inflated pockets there cool also.

Speculation, buying not for use or income but just to take advantage of expected higher prices in the future, contributes to a bubble that pops at some point. As with any sharp run-up in prices in any market, there comes a time when we begin to question the sustainability of the rise. We are beginning to ask that question with the housing market now in Hawaii.

There is a lot of money out there from affluent baby boomers nearing retirement that has to be placed somewhere. And as any market emerges as a favorite – stocks, bonds, real estate, precious metals or whatever – there is often a tendency to overdo it.

In the initial phases of overvaluation, we have suspicions, but also a long list of reasons why “this time it is different.” But if a market is overvalued, adjustment will eventually occur. Most of us remember the tech stock boom of the late 1900s, or the Hawaii real estate boom of the late 1980s that was fueled by Japan's bubble. In real estate, downward corrections usually are not as sharp as in financial markets. But in the 1990s, those who bought at the top of Hawaii's previous real estate boom were punished, contributing to the worst decade of our modern economy.

The fact that much of the demand for Hawaii real estate is now coming from the Mainland U.S. won't save us. An adjustment there would almost surely have some sympathetic effect here. And more and more national forecasters are pointing to an overpriced housing market.

Almost no one is forecasting a national recession, but a drop in spending on homes almost always plays a role in a national downturn. Even the National Association of Realtors is predicting high single-digit drops in sales of existing and new homes, and housing starts, for 2006. Prices may not be far behind.

On a related issue locally, water availability continues to be discussed as a constraint on Maui's growth. This is curious since Oahu, with a lower topography that catches less rain, supports a much larger population. Water is a focal point of a healthy debate about the desirability of growth, but this is not the ultimate reason why growth can't happen. Economics 101 teaches that the only way to effectively bring down the now exorbitant home prices is to increase supply.

Maui Labor Market: Even Tighter Than Statewide

Maui has the same tight labor market that we see at the state level. Unemployment has fallen steadily in the last several years, as demand for labor in practically all sectors of the economy has risen. The local labor supply can't meet the demand, and increasing costs of living (especially housing) keep a lid on in-migration. Maui's heated economy has been creating jobs faster than the state, but the labor shortage is apparently here also. Through the first half of 2005, job growth slowed to 2.6% after last year's 3.9% pace.

Maui Tourism: Yet Another Healthy Year

Maui tourism has continued to be very healthy in 2005 on all fronts – hotels, time share, rentals, activities, restaurants and retail. Total Maui island arrivals were up 2.7% through June. That is less than Oahu or the Big Island, but Maui has been closer to capacity. Hotel occupancies have been running well into the 80% range recently.

In fact, hotel room inventory may be concern for Maui in coming years. Trends in the industry have been toward time share, but diversity is still important and Maui only has two possible new hotels that are even being talked about, neither of them imminent. Near term, the problem is going to be aggravated more by hotels going out for renovation. The Maui visitor industry this year repeated a mantra heard across all sectors – the difficulty of finding workers in the current labor market environment.

The U.S. West, still the most important market, is holding up every well. This year through June saw a 2.4% gain over last year. Yet the U.S. East market has been becoming increasingly important to Maui, and marketing efforts have been concentrated more there recently. That market has emerged from weakness earlier this decade into very good growth, up 3.6% this year through June.

Japanese visitors to Maui have been declining in recent years, but that is less important because their numbers are so small anyway.

Maui Construction Remains Hot As Ever

Strong external and local demand, continued low interest rates, and a strong economy continue to fuel Maui construction. Permit growth augurs that this will continue for a while; in 2004, 1,177 residential building permits were issued for 1,521 single- and multi-family housing units in Maui County. Big residential growth is expected in Central Maui, Kihei-Wailea, and West Maui. Demand remains high, and there is no such thing as excess inventory. Nowhere are labor constraints more apparent, with the acute demand for skilled construction trades. Some contractors now quote a year or two wait before they will even bid on a project, and they don't see any slowdown in activity until 2007.

Alexander & Baldwin: Active in Kahului Area

The recent fire at Alexander & Baldwin's Kahului Shopping Center has triggered a major renovation. The new development is envisioned to be mixed use – small retail, commercial, as well as residential. Neighboring Maui Mall, also owned by A&B, will remain devoted to retail. Another large project on the A&B agenda is Phase 2 of the Maui Business Park in the Kahului area. This is a longer term project with absorption planned over a 12- to 18-year horizon. The 179-acres Phase 2 of the Park will nearly quadruple its size. Existing Phase 1, cover 69 acres, is nearly sold out. With Maui's economic growth, there is a need for commercial and industrial space, especially near the airport and harbor.

Ethanol Production Eyed By HC&S Sugar Plantation

Also associated with A&B is Hawaii's largest remaining sugar plantation, HC&S. Sugar production there will be down sometime this year and next – falling below 200,000 tons this year – due to earlier drought and fires set by vandals. One prospect is ethanol production to augment fossil fuels. HC&S is partnering with Maui Ethanol LLC to produce ethanol from molasses. The goal is to have permits and construction in 2005, with ethanol produced by 2006. Another possibility is producing ethanol from biomass waste products, and HC&S is working with ClearFuels Technology on this project. HC&S states that it is capable of

producing enough ethanol to satisfy the state's 10% ethanol requirement for fuel across Maui.

Expansion of Medical Center Well Under Way on Maui

Expansion of Maui Memorial Medical Center – Maui's only acute care hospital – is well underway. Maui's overall and elderly population grew faster than any other county in the state in the 1990s; as baby-boomers age over the next 20 years, expanded facilities like this can make Maui a more livable and self-sufficient place.

Harbor Capacity: A Concern On All Islands

One hot topic on all of Hawaii's major islands is harbor infrastructure. The urgency comes from the two 2,000-passenger, 1,000-crew Norwegian Cruise Lines ships that now operate on the inter-island circuit, plus another one on the way. Also, plans for an inter-island Superferry now target 2007 as the date for service to Maui and Kauai, with Big Island service to follow shortly thereafter. Despite environmental and traffic concerns, from an economic standpoint this Superferry would offer a competing mode of transportation for locals – especially with those families, tourists, autos, and perishable goods. Its contribution to our economy could be major. Kahului Harbor on Maui may present the biggest challenges statewide for accommodating these vessels, simply because it lacks pier space and room to expand."

Financial and economic observers remain optimistic of Maui's near-future outlook - however, there are indications that some cautious conservatism may be warranted with that positive optimism. As recognized in the First Hawaiian Bank's economic forecast, the success of Maui over recent years has spurred a number of drawbacks that will need increased attention going forward. Robust construction, development, and business growth has already been weighed by limitations of the labor supply, housing, and tourism growth.

Furthermore, escalating home prices that in many ways benefited existing owners and investors have priced homes out of reach of local residents and first-time homebuyers. All segments of the economy have had to deal with increased values in real estate prices and

potential increases in corresponding real property tax. There is a number of significant residential and commercial property developments pending which suggest that Maui's local economy could continue to be strong even as segments of the broader State and mainland economy hint of softness.